PRIVATE SECTOR & REFUGEES: PATHWAYS TO SCALE

July 8th, 2020
How can the **private sector** find pathways to engage at scale?

**Research Methodology:**

- Identified 173 initiatives and documented 110 initiatives in detail that have:
  - At least one driving private sector actor
  - Operations in low- and middle- income countries,
  - Concentrated in Africa and the Middle East, and geographically close to the points of crisis

- Developed five in-depth case studies

- Surveyed 58 private sector actors on their current engagement and forward looking perspectives

- 35 interviews with a variety of stakeholders including private sector actors, humanitarian organizations, funders, and intermediaries
A diverse and growing landscape – but, still early-stage
60% expect to **deepen their engagement** in the coming years.
Impact decisively outweighs financial gain as a *motivation*

<table>
<thead>
<tr>
<th>Factor</th>
<th>Average Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive impact on refugee lives</td>
<td>4.8</td>
</tr>
<tr>
<td>Presence of potential partners/ collaborators</td>
<td>4.4</td>
</tr>
<tr>
<td>Level of relevant capabilities/ expertise</td>
<td>3.9</td>
</tr>
<tr>
<td>Availability of funding</td>
<td>3.8</td>
</tr>
<tr>
<td>Cost of operations</td>
<td>3.6</td>
</tr>
<tr>
<td>Public opinion/acceptance</td>
<td>3.1</td>
</tr>
<tr>
<td>Profit-making potential</td>
<td>2.7</td>
</tr>
</tbody>
</table>

Note: 5 = Very significant
There are **pathways to scale** for private sector engagement

**Sharing capabilities**
Sharing capabilities – such as technology or technical expertise to provide access to humanitarian assistance, education or financial services

**Integrating into value chains**
Hiring refugees directly and/or working with smaller enterprises that hiring refugees through sourcing or subcontracting work

**Extending services**
Adapting current business models to sell goods/services to refugees

**Building a business**
Selling goods and services tailored to refugee populations

**Enabling employment**
Providing job training and/or entrepreneurial supports to refugees

**Funding humanitarian assistance**
Providing financial support to entities working to provide humanitarian aid to refugees
Five in-depth case studies help to illustrate ‘the how’

**SHARING CAPABILITIES:**
IRISGUARD’S iris recognition technology has streamlined the process of registering and delivering services to refugees in Jordan and beyond. Refugees no longer have to wait at distribution points, are less susceptible to theft and corruption, and have more agency in how they receive assistance.

**EXTENDING SERVICES:**
For EQUITY BANK, which has made banking available to low-income families in East Africa for more than 30 years, reaching out to refugee groups is a natural extension of its financial inclusion work. Equity Bank now provides banking products and services to thousands of refugees in Northern Kenya and is looking to expand.

**ENABLING EMPLOYMENT:**
LUMINUS EDUCATION is Jordan’s first private institute to provide employment training for refugee youth. Seventy to 80 percent of Luminus’s refugee students find employment – and in some sectors, like hospitality, all of them do.

**INTEGRATING INTO VALUE CHAINS:**
SANIVATION is using an innovative approach to bring more hygienic sanitation solutions and cleaner fuel alternatives to refugee communities in Kenya, while also providing a range of employment opportunities, from manufacturing to sales.

**BUILDING A BUSINESS:**
INYENYERI’S innovative cooking system is addressing cooking needs, household air pollution, and fuel efficiency issues in refugee homes in Rwanda. This affordable, market-based solution aims to reach 3,500 households in Kigeme Camp and start expansion into several other camps in 2019.
Three factors enable **impact at scale** for private sector

1. Flexible, need based financing
Three factors enable **impact at scale** for private sector

2. Effective private sector collaboration
Three factors enable **impact at scale** for private sector

3. Critical information provision

- **Refugee skill sets & qualifications**
  - Education level
  - Job experience in home countries
  - Skills and capabilities

- **Refugee demand & preferences**
  - Refugee demographics
  - Purchasing power
  - Preferences on goods and services

- **Local context & environment**
  - Geography
  - Infrastructure and connectivity
  - Market and economic context

- **Other private sector activity**
  - Similar initiatives
  - Available partners
  - Lessons from previous efforts
Appendix:
A.1 – Detailed barriers to engagement from the survey results

**Barriers to private sector investment**
When considering investments in the refugee space, how significant are each of the following types of barriers on a scale of 1 to 5? (N=58)

<table>
<thead>
<tr>
<th>Barrier</th>
<th>Average Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>National policy and regulatory constraints (e.g., right to work legislation, requirements for identification)</td>
<td>3.9</td>
</tr>
<tr>
<td>Lack of relevant data/information to understand commercial viability or potential investment opportunities</td>
<td>3.6</td>
</tr>
<tr>
<td>Cultural and social context (e.g., economic outlook of host communities, similarities between refugee and host populations)</td>
<td>3.5</td>
</tr>
<tr>
<td>Physical and geographic barriers (e.g., accessibility of refugee camps, distance to camps)</td>
<td>3.5</td>
</tr>
<tr>
<td>Economic context (e.g., ease of doing business)</td>
<td>3.4</td>
</tr>
<tr>
<td>Difficulty in navigating the humanitarian aid landscape (e.g., international actors, NGOs)</td>
<td>3.3</td>
</tr>
<tr>
<td>Limited understanding of the refugees (e.g., demographics, skillsets, spending habits, credit-worthiness)</td>
<td>3.3</td>
</tr>
<tr>
<td>Reputational risks</td>
<td>2.7</td>
</tr>
</tbody>
</table>

*Note: 5 = Very significant*
Appendix: A.2 – Valuable funding mechanisms

What funding mechanisms would be more valuable in supporting your engagement/initiative? (Select multiple) (N=58)

- Grants: 35 selections, Average Ranking: 1.4
- Combination of concessional funding and commercial funding: 16 selections, Average Ranking: 1.9
- Co-investment commitments for projects: 15 selections, Average Ranking: 1.9
- Results-based financing/price guarantees: 11 selections, Average Ranking: 2.0
- Low- or no-interest loans: 10 selections, Average Ranking: 2.2
- Risk underwriting/first-loss capital: 5 selections, Average Ranking: 2.6